

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF PENNSYLVANIA

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NATIONAL HEALTHCARE SERVICES, : CIVIL ACTION
INC., :
Plaintiff, : NO. 02-CV-3600
: (MM)
VS. :
: **COPY**
PENN TREATY AMERICAN :
CORPORATION, et al., :
Defendants. :

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Videotaped deposition of
HERBERT E. SCHWARTZ, held at the law
offices of BALLARD, SPAHR, ANDREWS &
INGERSOLL, LLP, 1735 Market Street, 51st
Floor, Philadelphia, Pennsylvania 19103,
on Monday, September 29, 2003, beginning
at 9:04 a.m., before Debra J. Weaver, a
Federally Approved Registered
Professional Reporter, Certified Realtime
Reporter and Certified Shorthand Reporter
of NJ (No. XI 01614) and Delaware (No.
138-RPR, Expiration 1/13/05).

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PLAINTIFF'S
EXHIBIT
P

PHILADELPHIA, N.J.

1 fulfillment and service job. His name is
2 Mike Callahan."

3 A. Who is this memo from?

4 Q. It's from Web Barth.

5 A. From Web. Okay.

6 Q. "First of all, we have a new
7 exec helping to manage our fulfillment
8 and service job. His name is Mike
9 Callahan." Do you see that?

10 A. Okay. Yes.

11 Q. So was Mike Callahan an exec
12 at Web Barth's company? He was a new
13 exec somewhere?

14 A. You know, I don't know. All
15 I know is he loaned Web money and he
16 worked -- started working with Web Barth
17 on -- relating to our -- what Web was
18 doing for our program and any other thing
19 that Web Barth may have been involved in.
20 I don't know. But he was not an
21 executive employee or anything else with
22 National Healthcare Services.

23 Q. Well, isn't it a fact that
24 Mr. Callahan purchased 250 shares of

1 National Healthcare Services, Inc.?

2 A. He purchased 250 shares? He
3 did -- you know what, I don't want to
4 play ignorant on this, but I'll tell you
5 what I do know, but Neal Forman knows the
6 whole deal because he and Neal Forman,
7 like I said, were friends and had many
8 different ventures and partnerships, I
9 think, together, and Neal wanted to sell
10 some of his National Healthcare Services
11 stock to Mike Callahan. I don't know how
12 it happened. Again, I was against that.
13 And, finally, I did okay the issue -- for
14 Neal to issue him stock, part of his
15 stock, part of Neal Forman's stock,
16 non-voting-only stock, only non-voting,
17 and that Michael Callahan would not have
18 any management or any say-so in the
19 company whatsoever.

20 Q. Okay. What was the value
21 that Mr. Callahan paid for his 250 shares
22 of the company?

23 A. That's between he and Neal
24 Forman. Neal issued the shares -- Neal's